

Message Text

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12
ACTION EB-07

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O R 040632Z AUG 76
FM AMEMBASSY CANBERRA
TO SECSTATE WASHDC IMMEDIATE 8676
INFO AMCONSUL MELBOURNE

LIMITED OFFICIAL USE CANBERRA 5622

C O R R E C T E D C O P Y - T E X T

E.O. 11652: N/A
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SUBJ: CIVAIR - AUSTRALIA USER CHARGES

REF: STATE 187838, CANBERRA 4194, 3714

1. EMBOFF DISCUSSED PROBLEMS RAISED STATE 187838 IN DETAIL
AUGUST 3 WITH TAPLIN, DEPUTY SECRETARY, DEPARTMENT OF
TRANSPORT.

2. GOA CABINET DECISION TO ADOPT VARIABLE FLIGHT FACTOR
REPORTED CANBERRA 4194 IS NOW FINAL WITH EFFECTIVE DATE
INTENDED TO BE DECEMBER 1, 1976. GOA PLANS TO BRIEF IATA
DELEGATION ON DETAILS AT MEETING IN CANBERRA TODAY AUG 4.
DELEGATION INCLUDES TWO PANAM REPRESENTATIVES. IN
PRELIMINARY CONVERSATION ON EVENING OF AUGUST 3 EMBOFF
ADVISED PANAM ON CONFIDENTIAL BASIS OF GOA DECISION. THIS
DEVELOPMENT APPEARS TO MEET OR SUPERSEDE SPECIFIC REQUESTS IN
PARAS 2 AND 5 OF STATE 187838.

3. EFFECT OF THIS CHANGE WILL BE TO REDUCE PANAM COSTS IN
THIS CATEGORY FOR FLIGHTS LANDING AT SYDNEY BY THE EQUIV-
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ALENT OF A REDUCTION IN THE APPLICABLE MULTIPLE FROM
EIGHT TO SIX, E.E. 25 PERCENT REDUCTIONS FOR FLIGHTS FROM THE
PACIFIC TO MELBOURNE WILL BE FROM MULTIPLE OF EIGHT TO
SEVEN. IT SHOULD BE NOTED THAT TOTAL RECOVERY FROM

INTERNATIONAL CARRIERS COLLECTIVELY IS NOT CHANGED. CARRIERS OPERATING INTO AUSTRALIA FROM WEST AND NORTH WILL HAVE MULTIPLE CORRESPONDINGLY INCREASED TO NINE OR TEN DEPENDING UPON INDIVIDUAL CASES. FOR THIS REASON, IATA RECEPTION TO NEW FORMULA LIKELY TO BE MIXED.

4. AS REPORTED IN CANBERRA 3714, THE BAISC INCREASE OF 15 PERCENT IN AIR NAVIGATION CHARGES SCHEDULED TO BE EFFECTIVE SIMULTANEOUSLY ON 1 DECEMBER 1976 IS A BUDGET DECISION ANNOUNCED IN MAY BY THE TREASURER. THIS DECISION WILL BE REFLECTED IN THE BUDGET WHICH PARLIAMENT WILL RECEIVE AUGUST 17.

5. THE RESOLUTION OF ISSUES RAISED IN PARAS 3 AND 4 OF STATE 187838 INVOLVES BOTH GOA BUDGETARY POLICY AND MANDATORY GOA LEGISLATION NOW IN FORCE. FOR BUDGET--DEFICIT REASONS PRESENT GOVERNMENT STRONGLY SUPPORTS AND CONTINUES 80 PERCENT CIVIL AVIATION COSTS RECOVERY OBJECTIVE OF EARLIER GOVERNMENT. THIS REQUIRES CONTINUATION OF PROGRESSIVE UPWARD ADJUSTMENT IN AIR NAVIGATION CHARGES, ESPECIALLY WITH RESPECT TO DOMESTIC CARRIERS. BUT GOVERNING LEGISLATION MANDATES THAT ANY INCREMENTAL ADJUSTMENTS BE IDENTICAL FOR DOMESTIC AND INTERNATIONAL CARRIERS. UNOFFICIALLY, RECENT DEPARTMENT OF TRANSPORT DATA AND ESTIMATES COVERING PAST PERIODS POINT TO PROBABILITY THAT HIGHER PROPORTION OF COSTS WAS BEING RECOVERED FOR INTERNATIONAL CARRIERS THAN FOR DOMESTIC CARRIERS AT THE TIME THIS PROGRAM STARTED. AS RESULT, EQUAL INCREMENTAL ADJUSTMENTS HAVE PRESERVED THIS RELATIONSHIP, AND IT APPEARS PROBABLE THAT THE PROSPECTIVE 1976 INCREASE WILL BRING RECOVERY RATE ON INTERNATIONAL CARRIERS CLOSE TO 100 PERCENT. THERE APPEARS TO BE GROWING AREA OF ACCEPTANCE, AT OFFICIAL LEVEL, THAT IN PRINCIPLE GOA MUST SEEK SOME WAY TO AVOID ALLOWING THIS PROCESS TO REACH STATE OF OVER-RECOVERY FROM INTERNATIONAL CARRIERS. BUT NO LIMITED OFFICIAL USE
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PRACTICAL SOLUTION YET DISCOVERED FOR DILEMMA IN WHICH BUDGET PRESSURE REQUIRES FURTHER PROGRESS ON DOMESTIC RECOVERY RATE WHILE MANDATORY LEGISLATION REQUIRES EQUAL ADJUSTMENTS BETWEEN DOMESTIC AND INTERNATIONAL CARRIERS.

6. FOR THE MOMENT, THE GOA DECISION TO ADOPT VARIABLE FLIGHT FACTOR SYSTEM WILL BE HELPFUL IN WAYS VISUALIZED BY STATE 187838. SOLUTION TO LONGER-RUN PROBLEM OF POTENTIAL OVER-RECOVERY ON INTERNATIONAL CARRIERS NOT YET IN SIGHT, ALTHOUGH UNOFFICIAL VIEWS DESCRIBED PREVIOUS PARAGRAPH ENCOURAGING. WE BELIEVE THE ONLY

COURSE OPEN TO US AT THE MOMENT IS TO KEEP PRESSURE
ON GOA ALONG LINES PARAS 3 AND 6 STATE 187838 AND
ENCOURAGE GOA EFFORTS TO FIND SOLUTION WHICH AVOIDS
NEED FOR EVENTUAL CONFRONTATION.
HARGROVE

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